

**SPECIAL STATE BANKING BOARD MEETING  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**October 19, 2017**

The special meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Entringer called the meeting to order at 9:00 a.m., Thursday, October 19, 2017, by conference call.

**MEMBERS PRESENT:** Robert J. Entringer, Chairman (*Office*)  
Nancy Baerwald, Member (*Cando*)  
Linda Beall, Member (*Velva*)  
Kim Larson, Member (*Casselton*)  
John Schmid, Member (*Carson*)  
Tom Stennes, Member (*Harwood*)  
Cheryl Thompson, Member (*Fargo*)

**MEMBERS ABSENT:** None

**ALSO PRESENT:** Aaron Webb, Secretary (*Office*)  
Suzette Richardson, Administrative Staff Officer (*Office*)  
Reggie Soholt (*Buxton*)  
Steve Swartz (*Buxton*)  
Tim LeClair (*Fargo*)  
Jill Schneider (*Fargo*)  
Steve McLaen (*Forman*)

**CHANGE OF CONTROL APPLICATION – FULL SERVICE INSURANCE  
AGENCY, INC., BUXTON**

Assistant Commissioner Webb reviewed his Memorandum dated September 3, 2017, indicating the Department received the change of control application by

Full Service Insurance Agency, Inc., Buxton (Full Service), to acquire 100% of the issued and outstanding stock of First and Farmers Bank Holding Company, Portland (First Holding), and thereby control of First and Farmers Bank, Portland (First and Farmers), on September 18, 2017. Assistant Commissioner Webb indicated the application was deemed complete on September 28, 2017.

Assistant Commissioner Webb indicated pursuant to North Dakota Administrative Code § 13-02-17-01, notice of the application was published jointly with the Federal Reserve Bank of Minneapolis in the *Traill County Tribune* on September 15, 2017. Assistant Commissioner Webb indicated the comment period would not end before October 15, 2017, and as of this date no comments have been received nor were there any requests for copies of the application.

Assistant Commissioner Webb reviewed the provisions of Section 6-08-08.1(4), North Dakota Century Code, which outlines criteria for the Board to disapprove a change of control application.

Mr. LeClair indicated the change of control application was filed with both the Federal Reserve and Department of Financial Institutions. Mr. LeClair indicated Full Service will acquire 100% of the outstanding common stock of First Holding, which controls 100% of First and Farmers, Portland.

Mr. LeClair explained that First and Farmers is an approximate \$51 million institution, Full Service is an approximate \$180 million company, and the plan is that Full Service will acquire First Holding and thereafter merge the holding companies. Mr. LeClair the corresponding banks will not be merged at this time; however, the plan is to merge First and Farmers into First State Bank at yearend 2018.

Mr. LeClair indicated the combined pro forma capital is approximately \$228 million; pro forma Tier 1 leverage ratio is 10.36%, and total risk based capital is approximately 13%.

Mr. LeClair indicated following the transaction staff of First and Farmers will be: John Marchell, CEO; Tom Capouch, Market President; Reggie Soholt and Randy Knudsvig, SVPs; Steve Swartz, CFO; and all other current staff will remain in place.

In response to Chairman Entringer, Mr. LeClair indicated the Federal Reserve has not yet acted on the application. Mr. LeClair added that the Federal Reserve's comment period will end October 20, 2017, and they anticipate acting on the application by October 27, 2017. Mr. LeClair stated if approval is granted by both the Federal Reserve and State Banking Board, the anticipated closing date is mid-November 2017, using October 31, 2017, as the determination date.

Assistant Commissioner Webb indicated the Department recommends approval of the change of control application by Full Service Insurance Agency, Inc., Buxton, to acquire 100% of the issued and outstanding stock of First and Farmers Bank Holding Company, Portland, and thereby control of First and Farmers Bank, Portland.

**It was moved by Member Schmid, seconded by Member Baerwald, and unanimously carried to approve the change of control application by Full Service Insurance Agency, Inc., Buxton, to acquire 100% of the issued and outstanding stock of First and Farmers Bank Holding Company, Portland, and thereby control of First and Farmers Bank, Portland.**

### **MERGER APPLICATION – SARGENT COUNTY BANK, FORMAN, TO MERGE FIRST NATIONAL BANK, MILNOR, INTO SARGENT COUNTY BANK, FORMAN**

Assistant Commissioner Webb referred to his Memorandum dated October 3, 2017, indicating the Department received the application by Sargent County Bank, Forman (Sargent), to merge First National Bank, Milnor (First National), into Sargent on September 7, 2017. Assistant Commissioner Webb indicated both banks are wholly owned subsidiaries of Sargent Bankshares, Inc., Forman.

Assistant Commissioner Webb indicated notice of the application was published pursuant to the joint state and federal requirements in the *Sargent County Teller* on September 1, 15, and 22, 2017. Assistant Commissioner Webb indicated the public comment period ended no later than October 1, 2017, and no comments were received nor were there any requests for copies of the application.

Assistant Commissioner Webb reviewed the provisions of Section 6-03-11 of the North Dakota Century Code, and Chapter 13-02-13 of the North Dakota Administrative Code regarding mergers or consolidations.

Assistant Commissioner Webb indicated the Articles and Plan of Merger is included within the application.

Assistant Commissioner Webb indicated the application includes a Written Action of the Board of Directors of Sargent County Bankshares, Inc., dated August 14, 2017, in lieu of holding a special meeting since it is the sole shareholder of both Sargent and First National.

Assistant Commissioner Webb indicated the required pro forma statements, as well as names of the directors and officers of the resultant institution were included in the confidential section of the merger application.

Mr. LeClair indicated the Interagency Bank Merger Application was filed with the Federal Deposit Insurance Corporation and Department of Financial Institutions. Mr. LeClair explained that Sargent Bankshares, Inc., acquired First National on January 27, 2017, with the intention to merge the banks prior to yearend 2017.

Mr. LeClair stated the Federal Deposit Insurance Corporation approved the merger application on October 5, 2017, and the Secretary of State has also approved the Plan of Reorganization and Merger.

Mr. LeClair indicated Sargent is approximately \$112 million in assets and First National Bank is approximately \$68 million in assets, with combined assets at approximately \$180 million. Mr. LeClair indicated pro forma leverage capital ratio as of June 30, 2017, is 9.32%, total risk based capital ratio is 14%, and is considered to be well capitalized.

Mr. LeClair indicated there will be no changes to executive officers or the business plan following the merger. Mr. LeClair indicated mobile banking will be available in Milnor following the merger.

Mr. LeClair stated notification of the proposed merger was given to all shareholders, and the holding company resolution evidences approval of the merger.

In response to Chairman Entringer, Mr. LeClair indicated the target merger date is November 6, 2017.

Chairman Entringer stated the Department conducted a visitation at First National on September 26, 2017, and no issues were noted.

Assistant Commissioner Webb stated that Sargent will continue operations at the former First National location, as well as the former branch location in Lisbon.

Assistant Commissioner Webb indicated the Department recommends approval of the merger application and that Chairman Entringer be authorized to sign the proposed Order on behalf of the Board. Chairman Entringer reviewed the provisions of the Order.

**It was moved by Member Stennes, seconded by Member Larson, and unanimously carried to approve the application by Sargent County Bank, Forman, to merge First National Bank, Milnor, into Sargent County Bank, Forman, and that Chairman Entringer be authorized to sign the Order on behalf of the Board.**

Messrs. Swartz and Soholt left the conference call at 9:19 a.m.

**STATE BANK & TRUST OF KENMARE, KENMARE, FOR  
AUTHORIZATION TO PURCHASE CERTAIN ASSETS AND ASSUME  
CERTAIN LIABILITIES OF BNC NATIONAL BANK, GLENDALE, AZ**

Assistant Commissioner Webb referred to his Memorandum dated September 5, 2017, indicating the Department received the application by State Bank & Trust of Kenmare, Kenmare (State Bank), to purchase certain assets and assume certain liabilities of BNC National Bank, Glendale, Arizona (BNC), and to establish the former Kenmare branch location of BNC as a facility of State Bank on September 5, 2017.

Assistant Commissioner Webb indicated notice of the application was published pursuant to the joint state and federal requirements in the *Kenmare News* on August 30, September 13, and September 27, 2017, as well as in the *Glendale Star* on August 31, September 14, and September 28, 2017. Assistant Commissioner Webb indicated the public comment period ended on September 30, 2017, and no comments were received nor were there any requests for copies of the application.

Assistant Commissioner Webb reviewed the provisions of Section 6-03-11 of the North Dakota Century Code, and Chapter 13-02-13 of the North Dakota Administrative Code regarding mergers or consolidations.

Assistant Commissioner Webb indicated the Purchase and Assumption Agreement, as well as Resolutions of the Board of Directors Ratifying Assumption & Purchase Agreement from both shareholders of Jorgenson Holding Company, Inc., and the Board of Directors of BNC National Bank are included within the application.

Assistant Commissioner Webb indicated there are no anticipated changes to the directors or senior executive officers following the transaction. Assistant Commissioner Webb stated a description of proposed changes to the bank's business plan, hours of operation, fees, terms of deposit and loan accounts, and Board of Directors are also included in the application.

Ms. Schneider explained the funding for the proposed transaction will be provided from current capital of State Bank. Ms. Schneider indicated State Bank would acquire approximately \$60,750,000, which includes the Kenmare BNC building and cash in the transaction. Ms. Schneider indicated State Bank has approximately \$134 million in assets; Tier 1 Leverage capital of 7.72%; total risk based capital of 12.77%; with a forecasted Tier 1 Leverage capital of 8.15% yearend 2017, and 8.67% yearend 2018.

Ms. Schneider reiterated there are no proposed changes of executive officers, bank business plan, hours of operations, fees, terms, or Board of Directors following the transaction. Ms. Schneider indicated the purchase of the BNC building now allows the current customers of State Bank to have access to a drive-up window. Ms. Schneider indicated State Bank received a satisfactory on

its most recent CRA examination and no change is anticipated in CRA or performance.

Ms. Schneider stated the Federal Deposit Insurance Corporation approved the application on October 16, 2017.

In response to Member Larson, Ms. Schneider explained on Exhibit 2 the voting control held totals 118.28% due to trust ownership in the bank; therefore, Jim and Karen Jorgenson as trustees both have the voting control.

Ms. Schneider indicated the proposed closing date for the transaction is December 8, 2017.

**It was moved by Member Beall, seconded by Member Stennes, and unanimously carried to approve the application by State Bank & Trust of Kenmare, Kenmare, to purchase certain assets and assume certain liabilities of BNC National Bank, Glendale, Arizona, and to establish the former Kenmare branch location of BNC National Bank, Glendale, Arizona, as a facility of State Bank & Trust of Kenmare, Kenmare, and that Chairman Entringer be authorized to sign the Order on behalf of the Board.**

The meeting adjourned at 9:26 a.m.

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Robert J. Entringer, Chairman

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Aaron Webb, Secretary